

Members

Rep. William Crawford, Chairperson
Rep. William Bailey
Rep. Charlie Brown
Rep. Ralph Ayres
Rep. Vaneta Becker
Rep. David Frizzell
Sen. Patricia Miller
Sen. Robert Meeks
Sen. Joseph Zakas
Sen. Rose Antich
Sen. Samuel Smith, Jr.
Sen. Vi Simpson



SELECT JOINT COMMITTEE ON MEDICAID OVERSIGHT

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Authority: P.L. 130-1998

MEETING MINUTES¹

Meeting Date: September 8, 1999
Meeting Time: 1:00 P.M.
Meeting Place: State House, 200 W. Washington
St., Room 404
Meeting City: Indianapolis, Indiana
Meeting Number: 2

Members Present: Rep. William Crawford, Chairperson; Rep. William Bailey; Rep. Charlie Brown; Rep. Vaneta Becker; Rep. David Frizzell; Sen. Patricia Miller; Sen. Robert Meeks; Sen. Joseph Zakas; Sen. Rose Antich; Sen. Samuel Smith, Jr..

Members Absent: Rep. Ralph Ayres; Sen. Vi Simpson.

Rep. Crawford called the meeting to order at 1:10 PM.

Implementation of HEA 2035 - 1999

Julie Newland, Eli Lilly and Company, distributed a handout (See Exhibit 1) and discussed the issues surrounding HEA 2035 - 1999. She stated that there are two threshold questions that should be answered:

1.) Do formularies impede quality of care?

¹ Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.ai.org/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

2.) Do formularies increase health care costs?

Ms. Newland mentioned concern regarding a lack of definitional structure, specifically with regard to "therapeutic classifications" and "prior authorization". She stressed the importance of accurate health outcomes data in answering the threshold questions. She also discussed capitation rates for managed care organizations and prior authorization of drugs. Ms. Newland then stated that additional questions may need to be answered:

- 1.) Does the Drug Utilization Review Board (Board) need increased staffing?
- 2.) Should there be independent review of Medicaid managed care formularies?
- 3.) Should the Medicaid managed care pharmacy benefit be kept within the Medicaid Primary Care Case Management program?

Rep. Brown asked about narrowing the gap between legislative intent and actual implementation of laws like HEA 2035. Ms. Newland responded that committee oversight and legislative requests for additional information may assist in narrowing any gaps that occur.

Kathy Gifford, Office of Medicaid Policy and Planning (OMPP), stated that the Board had two meetings this summer with extensive public testimony. She acknowledged that "therapeutic classification" is defined in different ways. Ms. Gifford stressed that OMPP is interested in gathering information for the Board regarding how best to serve Medicaid members and addressing concerns about formularies.

In response to questions from Rep. Crawford and Rep. Brown, Ms. Gifford stated that OMPP will continue to work with the Board and the legislature until any identified problems with formularies and other Medicaid issues are worked out. In response to questions from Rep. Frizzell, Ms. Gifford explained that federal statute requires that the costs of the Risk Based Managed Care (RBMC) program not exceed the costs of the Primary Care Case Management (PCCM) program so actuarial studies are done in order to develop the capitation rates for the RBMC program. She stated that the administrative costs of the RBMC program are rolled into the capitation rate. Ms. Gifford agreed to provide to the Committee, to the extent possible, pharmacy cost and capitation rate information.

In response to a question from Sen. Meeks, Ms. Newland stated that the Board needs adequate information to answer the two threshold questions before Medicaid formularies are adopted, and that there is a need for data reflecting the effects on cost and quality of care. Ms. Gifford provided an explanation of capitation and prevention of cost shifting by managed care organizations and providers and stated that this explanation has been provided to the Board to the Board's satisfaction. Ms. Gifford then explained the Medicaid pharmacy benefit in both managed care and fee for service settings and the history of drug formularies in Medicaid managed care. Sen. Meeks asked for an explanation regarding development of the formularies which Ms. Gifford provided. She stated that a formulary specifies "preferred" drugs and that there are processes through which one may obtain nonformulary drugs if necessary. She stated that a major discussion point for the Board has been those processes and their impact on physicians and pharmacists.

Responding to a question from Rep. Becker, Ms. Gifford stated that the incentives for treatment, including prescription drugs, are organized to provide quality care, including prior authorization for drugs. Ms. Gifford stated that OMPP is working to improve quality and access and responds to complaints by members and providers by making changes. Rep. Becker mentioned that she would like to hear about the impact of HEA 2035 -1999 from a mental health perspective.

Rep. Crawford asked about the percentage of the Medicaid population in RBMC. Ms. Gifford responded that there are approximately 500,000 individuals enrolled in Medicaid, of those there are approximately 300,000 enrolled in Hoosier Healthwise, and approximately 30% of those enrolled in Hoosier Healthwise are enrolled in the RBMC program. Sen. Miller and Ms. Gifford discussed the issue of individuals with extraordinary needs being enrolled in PCCM versus RBMC. Rep. Bailey and Ms. Gifford discussed the issue of coverage for dietary supplements under Medicaid. In response to questions from Rep. Crawford, Ms. Gifford explained that individuals who are autoassigned to a provider may change their provider for cause at any time and individuals may change providers without cause every six months. Sen. Miller asked why children in the same family who are enrolled in the Children's Health Insurance Program (CHIP) may have different primary care providers. Ms. Gifford explained the various reasons why this could occur. Responding to Rep. Brown's question, Ms. Gifford said that individuals may change providers in various ways including by telephone and at the provider's office.

Access to Pharmacies by Medicaid Managed Care Participants

Rep. Crawford discussed a handout provided by Walgreens (See Exhibit 2). He asked whether transportation is paid for Medicaid managed care participants who are required to fill a prescription at a network pharmacy that may be farther from their homes than pharmacies not within the network. A representative of Managed Health Services (MHS) stated that MHS does provide for transportation to pharmacies if there is a reasonable need. Ms. Gifford stated that she believes that transportation is paid under the RBMC program, but would check to be certain.

In response to a question by Sen. Meeks, Ms. Gifford said that the capitation rate for dental services is based on expenses under fee for service arrangements. Sen. Antich stated that she has had many complaints of dentists in her district leaving the Medicaid program due to inadequacy of payment and stressed the need for the ability to make choices. Ms. Gifford stated that nearly all individuals have a choice and that OMPP is doing its best to educate the population regarding choices.

A representative of Walgreens and a representative of MHS raised the issue of pharmacy contracting to provide services to Medicaid managed care participants. Rep. Crawford agreed to discuss this at a future meeting. Sen. Antich stressed that an individual expects a pharmacist to provide services to the individual, but there is a conflict when the pharmacist must also serve the managed care organization.

In response to questions by Sen. Miller and Rep. Brown, Ms. Gifford explained that OMPP procures a managed care product for a set fee and the managed care organization from which the product is procured must deliver the product. She stated that the managed care organization determines reimbursement arrangements with "subcontractors" and OMPP is not involved in those negotiations. Costs are not shifted back to OMPP due to the set fee arrangement.

Ms. Gifford agreed to respond to the letter from Walgreens at a future meeting.

Update on Medicaid Waiver for Traumatic Brain Injury Patients

Walter Thomas, Division of Disability, Aging, and Rehabilitative Services, provided a handout of SEA 125 - 1999 (See Exhibit 3). Mr. Thomas explained that an application to the Health Care Financing Administration (HCFA) had been submitted on June 30, 1999 requesting a home and community based services waiver for three years for services to individuals with traumatic brain injuries. Mr. Thomas stated that the plan is to enroll 100

individuals the first year and 100 additional individuals the second year to reach the maximum enrollment of 200 individuals.

In response to questions from Rep. Frizzell, Rep. Bailey, and Sen. Meeks, Mr. Thomas stated that: a.) the waiver monies are used for rehabilitative services rather than for housing, the individuals who are on the waiver will be home based individuals with a need for skilled care; b.) there are currently 55 individuals on the Aged and Disabled waiver who may meet the criteria for this waiver, but those individuals will not necessarily shift to this waiver; and c.) his office has received numerous telephone calls regarding this waiver and is taking the names of those individuals, but will not begin taking applications until the waiver is approved by HCFA.

Mr. Thomas agreed to provide a monthly progress report to Committee members.

Other Business

It was determined that the Committee is required to complete its work no later than October 31, 1999 according to Legislative Council rules. The Committee approved by voice vote a motion to submit a request to the Legislative Council to allow the Committee to meet after October 31, 1999.

The Committee selected October 5, 1999 at 1:00 PM for its next meeting. With no further business, Rep. Crawford adjourned the meeting at 3:00 PM.